

**CITY OF ANITA**  
**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**  
**FOR THE PERIOD**  
**JULY 1, 2012 THROUGH JUNE 30, 2013**

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**City of Anita**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Miller	Mayor	Jan 2016
Jamey Herzberg	Council Member	Jan 2014
Duane Murphy	Council Member	Jan 2014
Dennis Zimmerman	Council Member	Jan 2014
Jeff Bohnsack	Council Member	Jan 2016
Tom Harris	Council Member	Jan 2016
Lindsay Jahde	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite



Diane McGrain, CPA  
Jim Menard, CPA

Independent Accountants' Examination Report

To the Honorable Mayor  
and Members of City Council:

We have performed an examination of the City of Anita pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Anita for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

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10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
15. We reviewed the status of previous report findings.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Anita, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Anita, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, P.C.*

December 12, 2013

### **Detailed Recommendations**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City without evidence of independent review:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Library Department - All accounting functions are handled by one individual without adequate compensating controls.

Recommendation - The Library Department should segregate accounting duties to the extent possible.

- (C) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (D) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days. A listing of receipts by fund was missing on two of the four months tested.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as well as a listing of receipts by fund for each month.

- (E) Payroll Transactions – The City Council did not adopt a payroll resolution listing the rate of pay authorized for each employee. In addition, we noted no documentation of review and approval of time cards. The City Clerk does not complete a daily time card.

Recommendation – The Council should adopt a payroll resolution listing the rate of pay per employee each time raises are given. In addition all time cards should be reviewed and initialed by the department head. The City Clerk should complete a daily time card.

- (F) Bank Transactions – For one month tested, the check numbers per the bank statement did not match the check number listed in the ledger due to print errors.

Recommendation – The City should make sure when printing checks that the ledger and check reflect the same number for each check written.

- (G) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (H) Deficit Fund Balances – At June 30, 2013, the City had the following deficit balances:

Special Revenue Funds:

Employee Benefits	\$ 4,890
Urban Renewal Tax	164,399
Debt Service	294

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

- (I) Excess Balance – The balances in the Special Revenue – Local Option Sales Tax account and Enterprise – Sewer account were in excess of the disbursements made from each fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balances, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

- (J) Separately Maintained Records – The City of Anita Library Department maintains separate accounting records for a gift account. These transactions and the resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, and expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records.

- (K) Checks Outstanding – We noted that the City had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation – The City should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the City must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(12) 556.11 of the Code of Iowa.